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FISCAL IMPACT STATEMENT

LS 6689

BILL NUMBER: HB 1181

NOTE PREPARED: Dec 26, 2004

BILL AMENDED:

SUBJECT: Tax Abatements.

FIRST AUTHOR: Rep. Leonard

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies that certain equipment installed in an economic revitalization area or a maritime opportunity district after being used in Indiana by a person other than the applicant is eligible for tax abatement. It removes the requirement that equipment must be placed in service before January 1, 2006, to be eligible for tax abatement. The bill makes a technical correction. It also repeals the provision that a designating body may not approve a statement of benefits after December 31, 2005.

Effective Date: January 1, 2005 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, new manufacturing equipment and new research and development equipment may qualify for property tax abatements. The abatements are available for up to ten

years. Currently no new abatements can be granted after December 31, 2005.

The bill would allow abatements to be granted after December 31, 2005, and also allow abatements on used manufacturing equipment and used research and development equipment if it was owned by another individual.

If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements (ERAs) could also cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision.

The impact would depend on the number and dollar amount of new abatements that might be granted outside of an economic revitalization area and also the number granted after CY 2005 for abatements inside an economic revitalization area. The following chart shows the total abatements for the last 10 years for real and personal property.

<u>Year</u>	<u>Real</u>	<u>Personal</u>	<u>Total</u>	<u>Increase</u>
1994	\$41,790,975	\$54,579,109	\$96,370,085	
1995	42,660,544	44,913,061	87,573,605	(\$8,796,480)
1996	39,409,092	66,760,681	106,169,772	18,596,168
1997	41,483,134	49,280,601	90,763,735	(15,406,038)
1998	43,312,527	43,532,906	86,845,433	(3,918,302)
1999	47,739,446	49,989,013	97,728,459	10,883,026
2000	50,877,703	70,955,197	121,832,900	24,104,441
2001	57,247,336	94,062,035	151,309,370	29,476,471
2002	65,621,529	102,594,325	168,215,854	16,906,484
2003	59,113,642	154,181,896	213,295,539	45,079,685

The average annual increase over the last five years has been \$25.3 M.

State Agencies Affected: Department of Natural Resources; Fair Board.

Local Agencies Affected: County auditors.

Information Sources: Local Government Database.

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